

**Statement of The Honorable Linda M. Combs
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**Before the
Subcommittee on Government Management, Finance, and Accountability
Committee on Government Reform
United States House of Representatives
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Thank you, Chairman Platts, Congressman Towns, and Members of the Committee.

I am pleased to be here today for the first time since being confirmed to the position of Controller at the Office of Management and Budget (OMB). I look forward to working with this Subcommittee on the many significant financial management matters facing our government – including the initiative to eliminate improper payments. I welcome a healthy discussion today on the specific challenges facing the government in this effort, as well as several of the success stories reported by agencies over the past year.

Let me begin by saying that this Administration continues to make the elimination of improper payments a high priority, as there is no more important undertaking than the efficient stewardship of taxpayer dollars. Citizens deserve to know that the government is spending their money appropriately and for the intended purpose, and we are working to ensure this is happening. Through the government-wide efforts to improve financial management under the President's Management Agenda (PMA), as well as the PMA Eliminating Improper Payments initiative in particular, we continue to strive to eliminate improper payments within Federal programs and activities.

When the PMA was first announced in 2001, the elimination of improper payments was a key part of the government-wide Improving Financial Performance initiative. This effort initially focused on those Federal programs making annual payments in excess of \$2 billion, as set out in Section 57 of OMB Circular A-11. The Administration's goal to eliminate improper payments was later endorsed by the Improper Payments Information Act (IPIA) enacted by Congress in 2002. In essence, the IPIA extended the scope of review from Section 57 programs to all major Federal agency programs and activities.

Following the enactment of the IPIA, the Administration provided guidance (OMB Memorandum M-03-13) in May of 2003 for agencies to comply with the Act. This OMB guidance outlined the steps for agencies to properly identify and eliminate

improper payments, which included compiling an inventory of all payments/outlays, conducting risk assessments and statistical analyses, and developing and implementing corrective action plans. The results of agency efforts to eliminate improper payments are then to be reported on an annual basis in the Performance and Accountability Report (PAR), which is issued on November 15.

Fiscal Year (FY) 2004 marked the first full year of IPIA implementation by the agencies. As such, pursuant to OMB guidance, agencies reported in their November 2004 PARs the results of their efforts to identify and eliminate improper payments. Soon after, OMB issued a report in January 2005 that served to aggregate these results of the agency-specific reports into a single comprehensive document, highlighting particular accomplishments and remaining challenges. This OMB report, *Improving the Accuracy and Integrity of Federal Payments*, provides the clearest picture to date on the extent of government-wide improper payments, as well as the significant efforts underway to eliminate them. Additionally, the report establishes the baseline from which short- and long-term program improvement efforts and priorities will be based as agencies strive to eliminate their improper payments in the years to come. Some of the key findings in the OMB report include the following:

- Federal agencies reported a collective total of \$45.1 billion in improper payments in FY 2004, which represents a 3.9% government-wide improper payment rate;
- Approximately 92% of Federal improper payments are overpayments;
- Seven programs alone account for 95% of the improper payments reported in FY 2004 – Medicare; Earned Income Tax Credit; Unemployment Insurance; Supplemental Security Income; Old-Age, Survivors, and Disability Insurance; Public Housing/Rental Assistance; and Food Stamps;
- Federal agencies determined that 60% of all Federal outlays in FY 2004 (\$1.4 trillion out of \$2.3 trillion) were risk susceptible for a significant level of improper payments;
- If agencies meet their reduction targets, the overall improper payments total for programs and activities measured and reported in FY 2004 is expected to decline significantly when reported in FY 2005.

Many agencies have already reported significant results in eliminating their improper payments. For instance, the Department of Housing and Urban Development (HUD) has eliminated a total of over \$1.5 billion in improper payments since 2000, largely due to improved program guidance, training, oversight activities, and data

matching. Also, the Social Security Administration projects approximately \$600 million in savings – in addition to the \$100 million reduction already realized – in its Supplemental Security Income (SSI) program by FY 2007 through improved data matches to verify income and assets. Additionally, the Department of Labor expects to eliminate over \$370 million in improper payments in its Unemployment Insurance (UI) program over the next 10 years through an increase in data matching processes. We look forward to continuing to work with these and other agencies in meeting their reduction targets and achieving savings.

A new PMA program initiative, *Eliminating Improper Payments*, is also serving to focus agency efforts on identifying and eliminating improper payments through the OMB Scorecard process. Beginning in the first quarter of FY 2005, OMB now tracks, on a quarterly basis, the progress of the 15 major agencies with the programs and activities with the highest risk of improper payments. Under this initiative, we are better ensuring that those taxpayer dollars most susceptible to risk for improper payments receive the greatest amount of focus and review. For example, in order to “get to yellow” on status, agencies must, in part, have a risk assessment in place that identifies all programs that are at significant risk of improper payments, as well as have an OMB-approved plan for measuring improper payments and meeting particular milestones. For an agency to “get to green,” it must, in part, actually demonstrate that improper payments are being reduced consistent with its reduction targets (in addition to reaching the yellow standards of success). As agencies continue to focus their efforts and take the necessary action toward identifying and eliminating improper payments, we expect more to achieve “green” in both progress and status in the coming quarters.

The effort to eliminate improper payments also extends to the work of the Chief Financial Officers (CFO) Council and its Improper Payments Committee. Comprised of representatives of the CFO Council, this Committee assists agencies in their efforts to identify and reduce improper payments in their programs and activities and comply with IPIA requirements and the OMB guidance. Since 2001, the Committee has served as a forum for sharing best practices and common challenges to provide agencies with proven solutions.

Some of the recent efforts of the Committee include the following: developing a standard format for reporting of IPIA implementation and information in the agency PARs; hosting a joint government-private sector Industry Day in 2004 that served as an initial step toward finding private sector solutions to overarching improper payment measurement challenges across government; and convening a follow-up Industry Day session in April 2005 for the agencies to present to vendors on potential areas for private sector technology solutions. I look forward to continuing to work with the Improper Payments Committee, as well as the rest of the CFO Council, to provide helpful guidance to the agencies in this effort.

While we continue to make progress, agencies do face serious challenges in their efforts to improve the accuracy and integrity of Federal programs. For instance, agencies must have the commitment of senior leadership in order to eliminate improper payments. Agency management must prioritize resources, properly set target reduction rates, and be held accountable for improvements and reductions if we are to see government-wide results. In addition, agencies must build healthy partnerships with the program stakeholders (such as States) and program participants (such as contractors). Without the buy-in and risk-sharing efforts of the other parties, ultimate success is extremely difficult – especially for the larger funded and state-administered programs. Another challenge facing certain agencies is the lack of data-sharing processes to verify information. For example, if agencies do not have access to accurate information in time to prevent a benefit check from going out, improper payments may occur. As Controller, I look forward to working with the agency CFO Offices to better ensure the appropriate level of focus and attention is given to these challenges.

With the tools of the IPIA and this Administration's management initiatives in effect, the Federal Government is in a strong position to continue its efforts to identify and eliminate improper payments throughout agency programs and activities. With the goal of ensuring that each taxpayer dollar is spent wisely, efficiently, and for the purpose for which it was originally intended, we will remain committed to eliminating Federal improper payments. We look forward to working with the Congress to see this objective is accomplished.

Thank you, Mr. Chairman for the opportunity to speak before you today. I am pleased to address any questions.